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Iraq Status Report

June 10, 2009



Bureau of Near Eastern Affairs
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HIGHLIGHTS



- **UN Urges Iraqis to Focus on Reconciliation (*POLITICAL*, page 4).**
- **Heritage and Genel Enerji Announce Merger (*ECONOMIC*, page 10).**
- **Iraq and Afghanistan to resume full diplomatic relations (*DIPLOMATIC*, page 17).**
- **Iraqi Security Forces Detain American Contractors (*SECURITY*, page 19).**

POLITICAL - Governance & Legislation



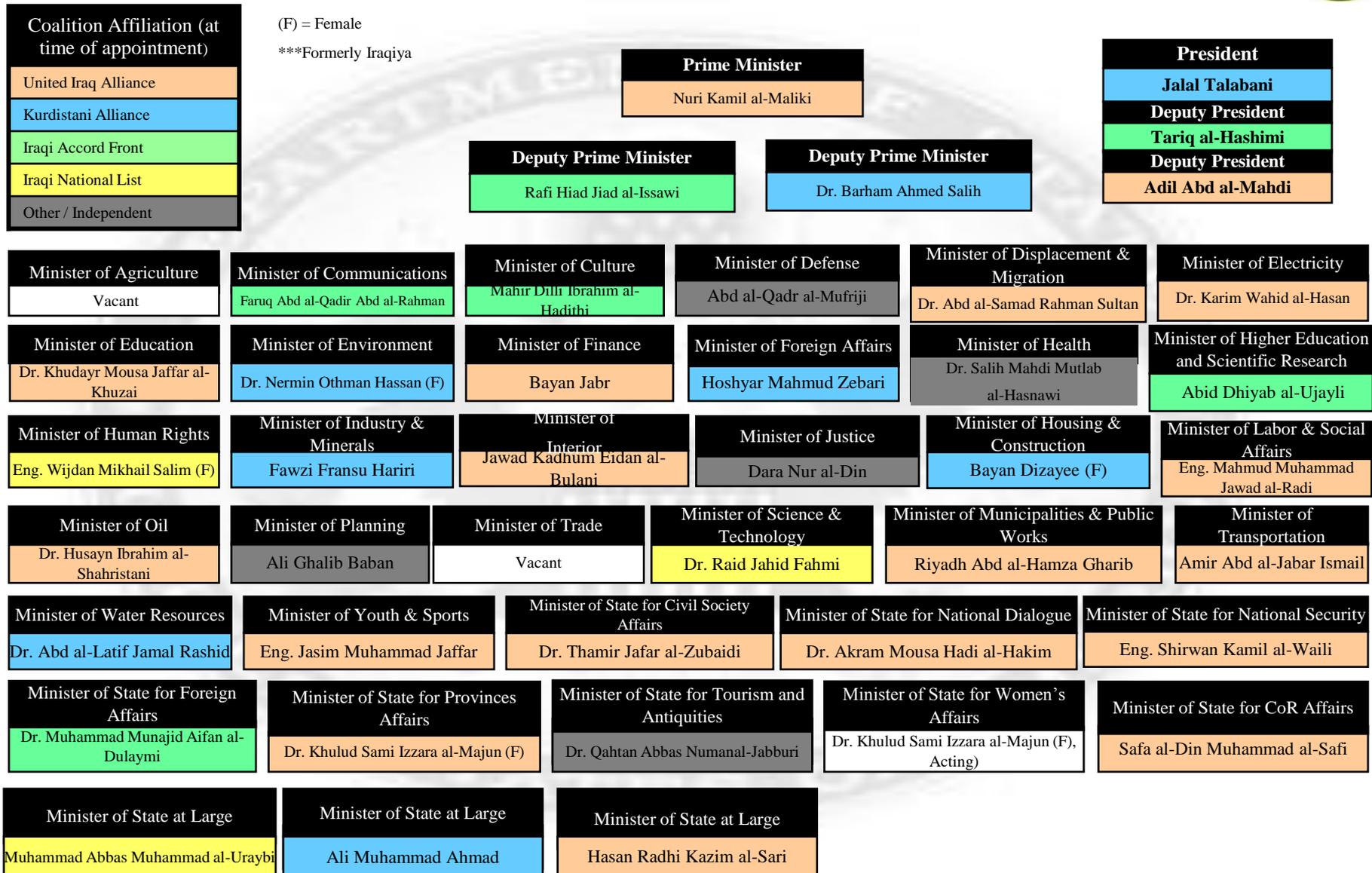
[UN comments on progress in resolving delicate issues](#)

UN Urges Iraqis to Focus on Reconciliation:

- In a report to the United Nations Security Council on June 8, Secretary-General Ban Ki-moon remarked that while there were encouraging signs of progress in Iraq, the process of national reconciliation “remains delicate” and asked the Iraqi people to “work together to build on the positive achievements thus far.” Ban noted that resolving key issues such as the sharing of power among different regions, the sharing of natural resources including oil, and disputed boundaries “could serve as a means to achieving lasting peace.” He further stated, “The delivery of essential services will also be critical to improving the lives of the Iraqi people.”



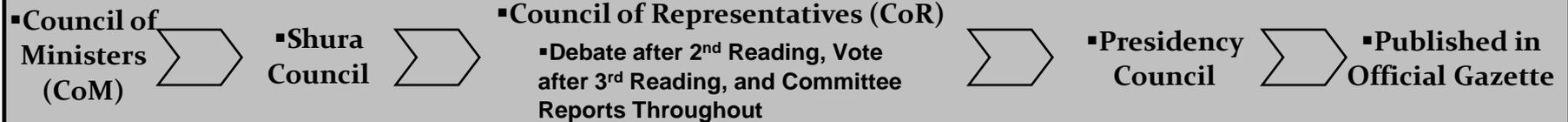
POLITICAL – Government of Iraq



POLITICAL – Key Legislative Issues



Legislative Process



- **Hydrocarbons Package**: The Framework Law was resubmitted to the Oil and Gas Committee on October 26, 2008 and then returned to the Council of Ministers. There has been no progress on the other three laws in the package.
- **NGO Law**: This law will regulate the operations and funding of Non-Governmental Organizations operating within Iraq. It received its first reading in the Council of Representatives on April 20, 2009.
- **National Elections Law**: A draft of a proposed national elections law is in committee but has not been finalized.

POLITICAL - Refugee Update



- Regional governments report hosting as many as 2 million Iraqi refugees.
- The International Organization for Migration (IOM) estimates that over 2.8 million Iraqis are displaced inside Iraq.
- In FY08, the State Department's Bureau of Population, Refugees and Migration contributed \$287.08 million to international organizations and nongovernmental organizations to assist displaced Iraqis inside the country and in the region.
- The U.S. admitted 13,823 Iraqi refugees in FY08 (which ended September 30).
- Since the program's inception in FY07, 27,627 Iraqi refugees have been admitted for U.S. resettlement; in FY09 alone, the U.S. seeks to admit a minimum of 17,000 Iraqi refugees.
- As of March 2009, a total of 375 Special Immigrant Visa (SIVs) have been issued for Iraqi translators and interpreters since FY08 (under the Section 1059 program).
- As of March 2009, a total of 641 SIVs have been issued for Iraqis since FY08 (under the Section 1244 program).



ECONOMIC – Oil

Oil prices are rising, but exports and production remain below 2009 targets

Crude Oil Update:

Price averages in world markets closed with the following prices:

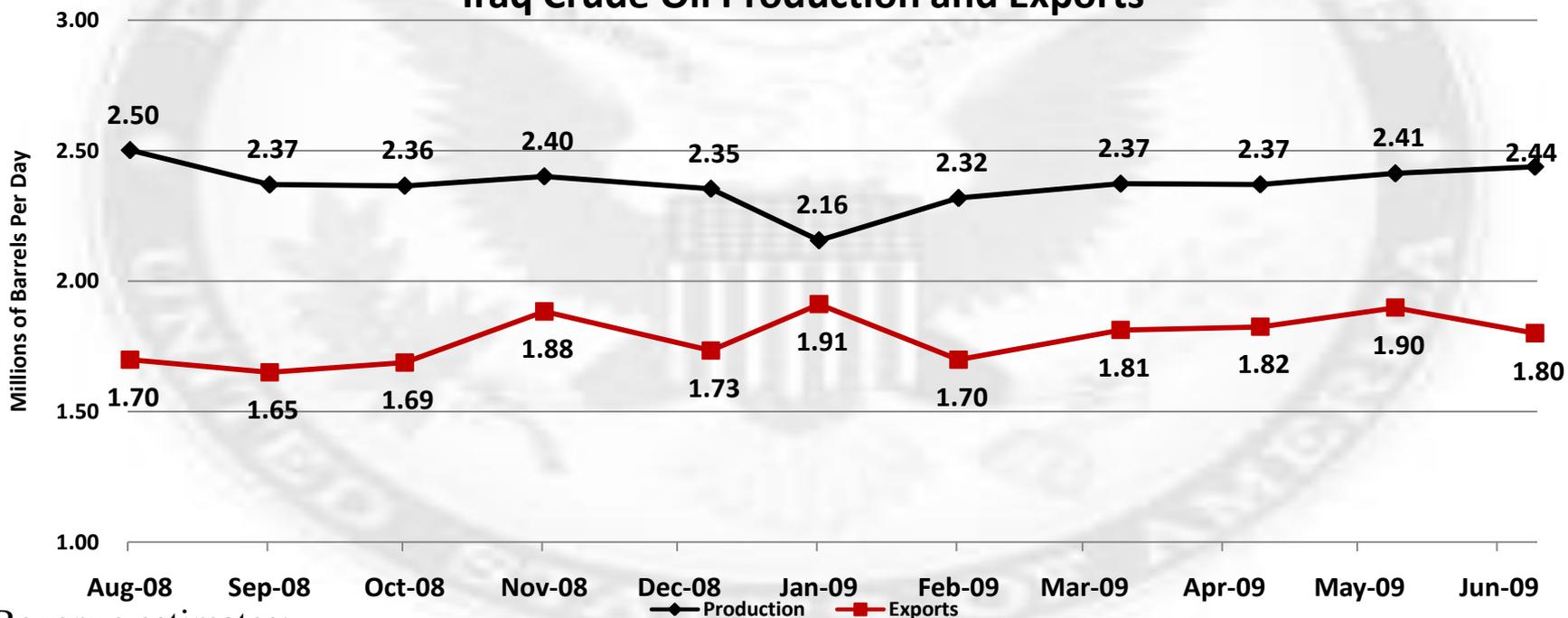
Basrah Light at \$65.72/barrel

Dated Brent at \$67.30/barrel

WTI Cushing at \$67.10/barrel

Oman/Dubai at \$67.22/barrel

Iraq Crude Oil Production and Exports



Revenue estimates:

2007: \$41.0 Billion

2008: \$61.9 Billion

2009 (ytd): \$12.72 Billion

ECONOMIC – Oil



The major international oil companies are interested in Iraq's potential in the south, while companies in the Kurdistan Region begin to merge

Total Comments on Iraq's Oil Contracts:

- French oil company Total's strategy and planning head Jean-Jacques Mosconi said he expects Iraq to award oil contracts for the oilfields put up for tender this summer. Speaking at the Reuters Energy Summit June 4, Mosconi said it was "a matter of two or three months starting from now," until the stakes are awarded. The condition of the fields, however, is such that it would take time to bring the fields back online, but he did not specify how long it would take. "The fields are not performing well. They are very old so all this has to be reassessed. You have big and deep production issues," Mosconi acknowledged.

First Oil and Gas Bid Round Scheduled for June 29:

- Iraq's Ministry of Oil announced June 10 it will hold its first bidding round for oil and gas fields as scheduled June 29. Speaking at a press conference, Minister of Oil Husayn al-Shahristani said he expected Iraq's production to increase to four million barrels per day once the fields are developed. The ministry plans to award 20-year service contracts to companies, which will be paid in-kind for each barrel produced. Thirty-two of the 35 pre-qualified companies are participating in the bid round.

ECONOMIC – Oil



The major international oil companies are interested in Iraq's potential in the south, while companies in the Kurdistan Region begin to merge

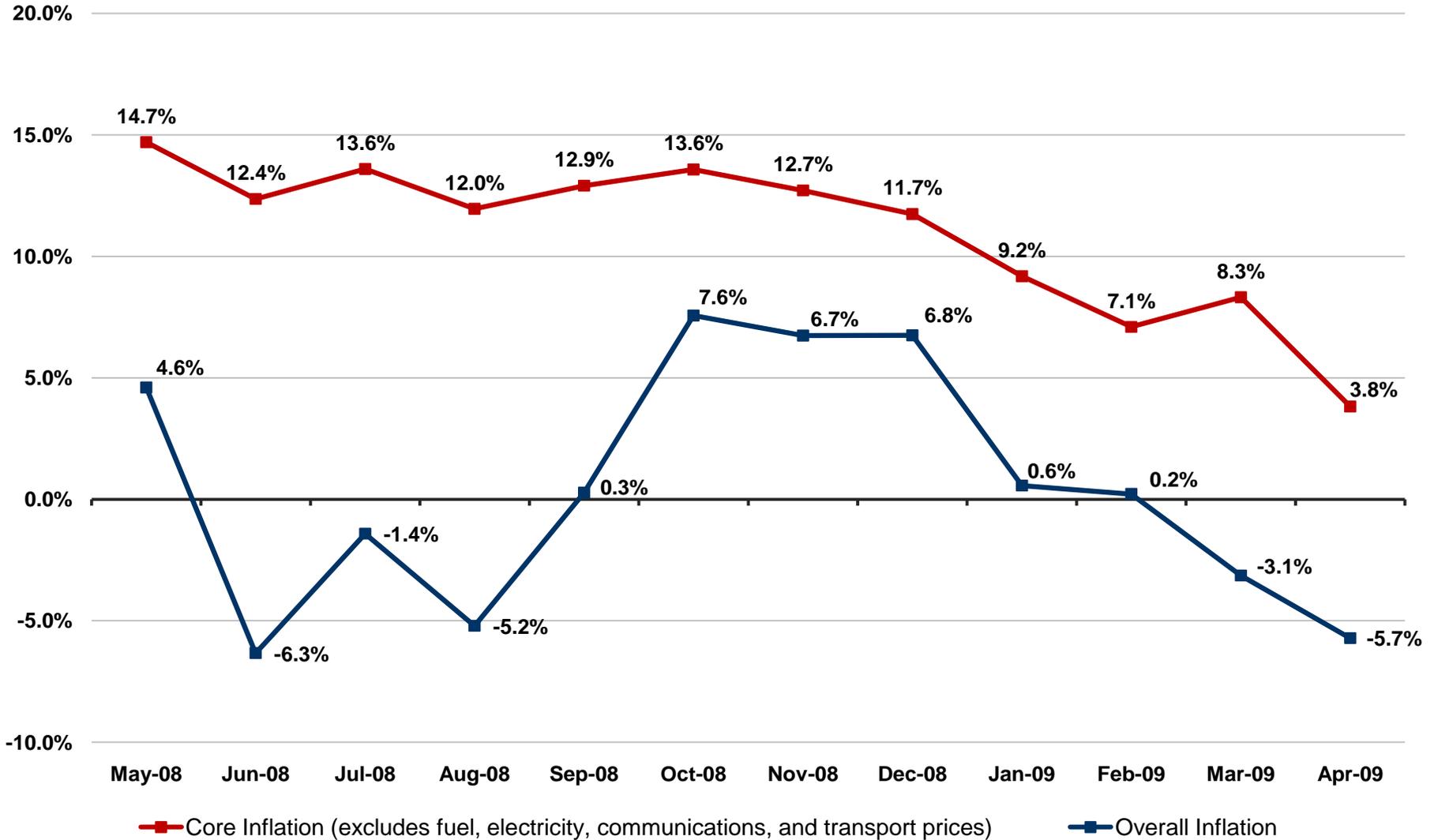
Heritage and Genel Enerji Announce Merger:

- The Canadian oil company Heritage Oil Limited announced June 9 it will buy the Turkish firm Genel Enerji A.S. for around \$2.5 billion in an all-stock deal that could raise the value of the combined company to around \$6 billion. The two companies are merging in the hopes that combining their operations will strengthen their ability to develop their assets in the Kurdish region of Iraq. As part of the deal, Heritage plans to issue 260 million new shares to Genel in exchange for Genel's business, which will also own half of the new London-listed company, HeritaGE Oil. Finalizing the deal is, however, contingent on the two companies settling an existing liability of \$1.1 billion with the KRG for the development of local infrastructure projects, which was to be funded with future profits from Genel. Cukurova, the Turkish conglomerate of which Genel was a subsidiary, agreed to settle \$605 million of the liability with the remaining \$495 million a long-term liability of the new company.

ECONOMIC - Fiscal and Monetary Affairs



Year-on-Year Inflation



ECONOMIC – Fiscal and Monetary Affairs



Iraq continues to look to international markets to help finance its budget deficit

Economic Indicator	This Week	Last Week	Last Month	Last Year
Iraqi Commercial Bond Sales				
Price (USD)	\$65.74	\$61.85	\$59.29	\$66.08
Yield	9.85%	10.51%	13.37%	10.96%

ECONOMIC – Private Sector



Iraq extends an invitation to American and Turkish companies to take advantage of investment opportunities in the country

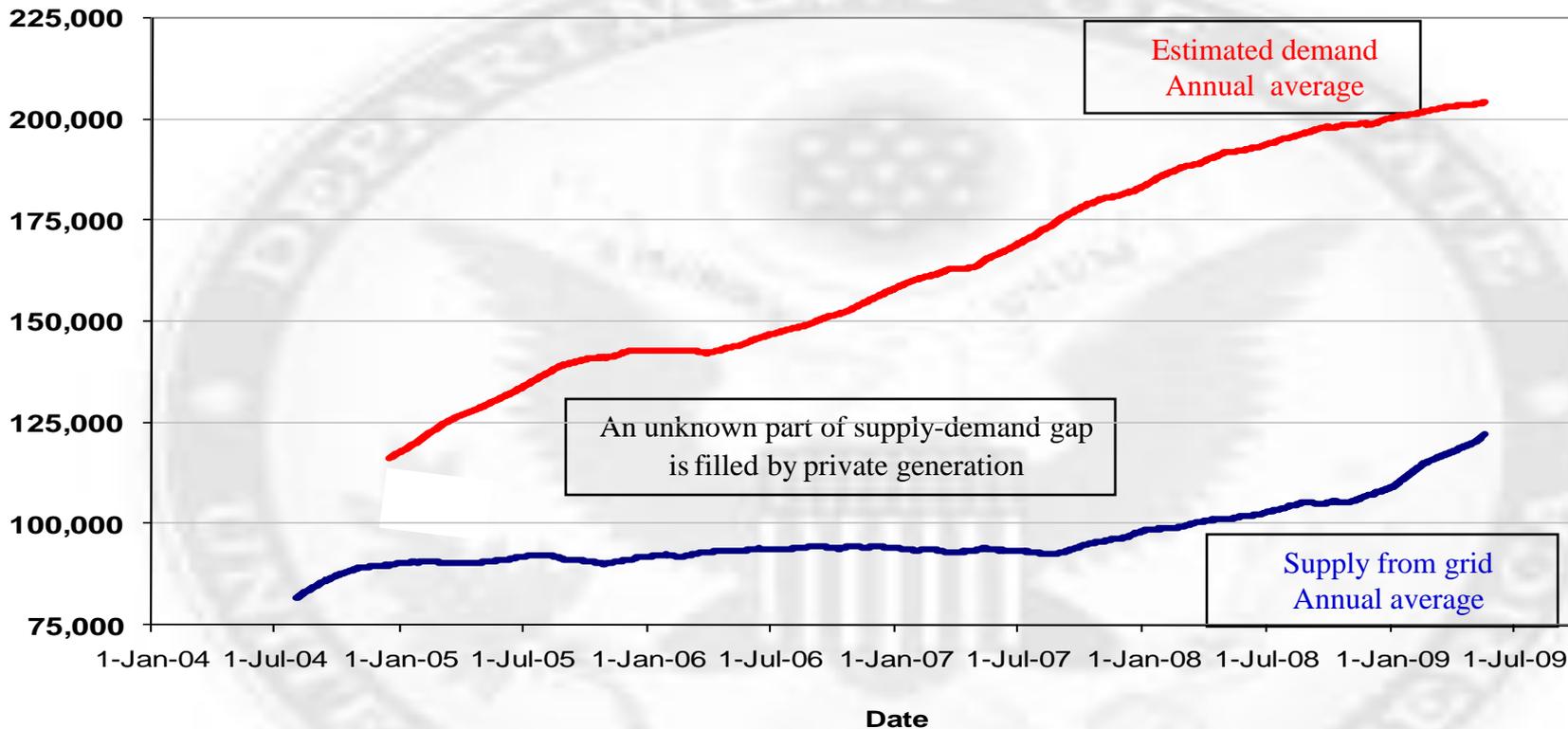
American and Turkish Companies Invited to Enter Iraqi Markets:

- The Iraqi Embassy in Washington, D.C. invited U.S. and Turkish companies to enter Iraqi markets and take advantage of investment opportunities. “We have highlighted the advantages of the Iraqi Investment Law and the benefits offered to foreign investors, as well as the role of the Iraqi National Investment Commission (NIC) and its branches all over the country,” Nofal Abu al-Shon al-Hassan, the Commercial Attaché at the Iraqi Embassy said. The invitation came during the annual conference of the American Turkish Council and the Turkish-American Business Council, held in Washington, D.C.

Public Services – Electricity



GOI needs to strengthen policy actions to manage demand and usage patterns



- Daily electricity supply from the grid averaged 144,400 MWh during May, a new monthly record and 49% above May 2008.
- May 25-31, electricity supply from the grid was 55% above the year-earlier period and met 70% of estimated demand compared with 48% for the year-earlier period.

Beyond Baghdad



Beehive Training Center in Diwaniyah

“...we will help Iraq's institutions strengthen their capacity to protect the rule of law, confront corruption, and deliver basic services.”

President Barack Obama

Recent Highlights

Anbar

The rail line that connects Baghdad with Ramadi has officially opened. Several officials, including Transportation Minister Amir Abd al-Jabbar Ismail, took the May 22 inaugural trip to Ramadi where they were greeted by Governor Qassim al-Fahadawi and members of the Awakening Party upon arrival. The reopening of the link between the two cities follows a long period of disabled rail lines.

Diwaniyah

The Beehive Training Center was recently opened at the Agricultural High School in Diwaniyah province. PRT members and military partners, the First Deputy Governor, Chairman of the Provincial Council Agricultural Committee, and members of the Council's Education Committee were all in attendance. The Center will teach students beekeeping. Proceeds from honey sales will be funneled back into the provincial education budget.

Kirkuk

Iraqi Air Force Brigadier General (BG) Shihab invited Kirkuk Provincial Council (PC) chairman Rizgar Ali, the PC religious affairs committee (which includes members of all ethnicities), representatives from the Kirkuk endowment, and Shi'a Turkmen from the Tessayeen neighborhood to visit the Shrine and Shi'a Turkmen cemetery on Kirkuk Regional Air Base. This is the first time in three years that relatives visited the graves of family members. Political officials thanked BG Shihab, PRT members and coalition members who made the event possible.

DIPLOMATIC – Political Engagement



GOI expands diplomatic relations; tensions with neighbors linger

Iraq Calls on Turkey to Increase Water Flow:

- Iraqi Minister of Water Resources Abd al-Latif Rashid called on Turkey to release more water from the Euphrates. Iraq's Ministry of Water Resources issued a statement June 7 stating that Iraq has asked the Turkish government to increase the flow of the Euphrates by 500 cubic meters per second. "We are passing through an emergency and the country is threatened with an environmental and humanitarian catastrophe," said Karim al-Yaqubi, a member of the parliamentary committee that oversees water issues. Yaqubi said that water purification plants in parts of Iraq could not pump in water because it was too muddy, and Turkey had closed the sluice gates, although they previously promised to increase the river flow. Yaqubi stressed that farmers south of Baghdad were in dire trouble because they do not have enough water to irrigate their crops. Demonstrating in the city of Najaf June 6, Iraqi farmers and fishermen called for the Iraqi government to demand that Iraq's neighbors release more water.

DIPLOMATIC – Political Engagement



GOI expands diplomatic relations; tensions with neighbors linger

Iraq and Afghanistan to Restore Diplomatic Relations:

- Fazlerrahman Fazil, a senior Afghan consular official, has announced that Afghanistan and Iraq are expected to resume full diplomatic relations soon. “We sent a message from our chief diplomat to his Iraqi counterpart about the resumption of diplomatic relations between our two countries and the reopening of our embassies in Kabul and Baghdad,” Fazil told AFP. Afghan officials recently held talks with officials in Iraq's interior and justice ministries over the status of approximately 100 Afghans imprisoned for illegally entering Iraq. The majority are Shi'a pilgrims who visited Iraqi shrines in the period 2004 – 2007. According to Fazil, Afghan officials have urged Afghan President Hamid Karzai to ask Iraqi President Jalal Talabani to grant the imprisoned Afghans amnesty.

DIPLOMATIC – Political Engagement



GOI expands diplomatic relations; tensions with neighbors linger

Iraqi and Kuwaiti Officials Attempt to Stem Heated Rhetoric:

- In an attempt to calm tensions between Iraq and Kuwait, Iraqi Prime Minister Nuri al-Maliki issued a statement calling for the countries to resolve their issues through dialogue June 3. After a meeting with Kuwaiti Ambassador Ali al-Mumen in Baghdad, PM Maliki said he wanted to “resolve any outstanding issues between the neighbors through a dialogue which guarantees the interests of both parties.” At the same time, the United Nations Special Representative for Iraq, Staffan de Mistura, asked both sides to show restraint in order to prevent damaging bilateral ties. De Mistura’s comments came after he met with Kuwaiti Parliament Speaker Jassem al-Khorafi, who said Kuwait is willing to resolve outstanding issues with Iraq through diplomatic and official channels.

SECURITY – Situation Update



Iraq is exercising its legal authorities as a sovereign nation

Iraqi Security Forces Detain American Contractors:

- Iraq's Ministry of Interior (MOI) announced that Iraqi Security Forces (ISF) arrested five American civilian contractors June 3. The five were accused of being in possession of controlled items during a search of their place of residence as part of the investigation into the killing of James Kitterman, who was found dead in Baghdad's Green Zone in May. On June 11, Iraqi government spokesman Ali al-Dabbagh stated, "Three [contractors] have been released due to a lack of evidence, two are still being detained on drug issues." Under the U.S. – Iraq Security Agreement, contractors working for the U.S. military are subject to Iraqi law.

Kirkuk Iraqi Police and Coalition Forces Conduct Detention Operation:

- A combined operation of Iraqi Police (IP) and Coalition Forces detained 44 suspected insurgents May 31, in the Aruba district of Kirkuk city. Soldiers from the U.S. Army's 1st Cavalry Division assisted Iraqi Police in the largest detention operation conducted by the joint U.S. unit and Kirkuk city police since beginning their partnership in February. The detainees are suspected of supporting crimes such as high profile terrorist attacks against civilians and IP, extortion, kidnapping and drug sales.

SECURITY – Security Transition



Coalition Forces continue to transfer responsibility to Iraqi Security Forces

Romania Marks End of Mission in Iraq with Ceremony:

- At a handover ceremony on a base in Dhi Qar province, Romanian President Traian Basescu commended his country's troops' service and sacrifice in Iraq June 4. Basescu said, "You played an important role in Iraq, and I thank all Romanian soldiers for leaving your families and putting your lives at risk." Since August 2003, Romania has deployed more than 5,200 troops to Iraq in support of Operation Iraqi Freedom. Romanian forces operated unmanned aerial vehicles conducting reconnaissance and surveillance; conducted security operations and quick reaction force missions; and trained Iraqi Army units.

Iraqi Army Assumes Control of Joint Security Station Hurriyah:

- The Iraq Army assumed full control of Joint Security Station (JSS) Hurriyah in northwest Baghdad as Coalition Forces (CF) departed May 30. "This event is symbolic of the increased security in the Hurriyah area," said Lieutenant Colonel John Vermeesch, commander, 1st Battalion, 18th Infantry Regiment. Company commander with the 18th Infantry Regiment, Captain Nathan Williams, noted that, "It is now time for the CF to leave JSS Hurriyah to the GOI, in part because of the Security Agreement and partly because the ISF have proven they have the ability to provide security for the Iraqi people."

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Please forward all questions and/or comments to:

NEA-I-IPOG-DL@state.gov



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